Agenda
Integrated Energy Policy Report
2004 Update Committee's 4th Workshop
on the Aging Power Plant Study
Thursday, August 26, 2004
(Times are approximate)

9:00-9:15 Opening Remarks Commissioners John L. Geesman and James D. Boyd (IEPR Committee)

9:15-9:30 Introduction Sandra Fromm

9:30-10:00 Staff Presentation on findings of the study Matt Trask

10:00-11:00 Public Comment, Other Presentations*

11:00-noon Roundtable Discussions* (Depending on interest expressed by the audience, the staff will facilitate discussions on the following topics):

1) Environmental and public health effects of aging plant operation

2) The APPS study list and the role aging plants play in the system

3) The future of aging plant economics

4) Reliability effects of plant retirements

1:00-4:00 Continued roundtable discussions of issues raised in the white paper

4:00-4:15 Closing Remarks IEPR Committee

IEPR Committee Workshop on
2004 Aging Power Plant Study
August 26, 2004

Questions and Discussion Points Regarding the *Resource, Reliability and Environmental Concerns of Aging Power Plant Operations and Retirements Draft Staff White Paper*

The questions and discussion points below are meant to help parties focus their comments on the draft staff white paper, and to facilitate discussion during the August 26 workshop. Most are directed to a general audience; those that begin with bolded text are directed to a specific party or sector of the industry.

1. General questions
   a. Did the Commission staff accurately capture parties' input in this proceeding?
   b. Are there other relevant points to be included?
   c. Did the staff draw appropriate conclusions from the record to date?
   d. Did the staff identify the appropriate next steps and future actions?
   e. How should the state implement its recommended next steps?

2. With respect to Chapter 2 (The Role of Aging Power Plants), the IEPR Committee seeks input on the following specific questions:
   a. Did the white paper accurately describe the role of aging power plants in the system? Are there other services provided by aging generating units that are not described in this chapter?
   b. Are the staff's assumptions about municipal and RMR unit retirement risks accurate?
   c. **For PG&E:** PG&E has indicated in its Long Term Resource Plan that it assumes RMR contracts will no longer be available in PG&E's service area after 2006 (p. 3-8). The Committee requests that PG&E explain this assumption, including a discussion of whether the services currently provided by RMR units would be needed in 2006.
   d. **For PG&E:** PG&E addresses the potential retirement of RMR units in its Long Term Resource Plan, indicating that it has identified transmission projects that are expected to reduce RMR needs. PG&E also notes that some of the RMR units face reductions in their emissions allowances and more stringent cooling water requirements. PG&E assumes that, lacking a contractual commitment that would assure recovery of ongoing costs and any required capital expenditures, at least 2,000 MW could retire in the next five or six years (p. 4-62). Does PG&E's estimate of potential retirements include any plants that are currently designated as RMR units? If so, which plants? What factors would drive the retirement of these plants?
   e. Did the white paper accurately characterize the economics of aging power plants, including the descriptions of fixed and variable costs?
   f. Are the estimates and assumptions in the "Aging Plants as Competitive Providers of Capacity" accurate?

3. With respect to Chapter 3 (Reliability Analysis), the IEPR Committee seeks input on the following specific questions:
    a. Are the assumptions and inputs used for the retirement-related analysis (and listed in Appendix E) valid and accurate? What other assumptions, if any, should be added to the analysis?
    b. Is the analysis of SCIT-related intrazonal congestion from retirements of aging units accurate?
    c. Is the staff's classification in Tables 3-1 and 3-2 of the relative risk of retirement of the aging units under study (high, medium and low) valid and accurate? Are there other factors to consider in making these rankings of retirement risks? All parties are encouraged to identify any and all other plants at risk of retirement during the study period, as well as specify whether such plants are at low, medium or high risk of retirement and discuss the rationale for such ranking. The Committee requests that the CAISO, SCE, PG&E and SDG&E review the staff study sample to insure that the staff has developed a comprehensive list of aging plants whose retirement could result in reliability concerns.
    d. Are the outcomes of the power flow modeling valid and accurate? Is the level of predicted overloads reasonable? The Committee requests that the CAISO, SCE, PG&E and SDG&E review and comment on the results of the CEC staff's assessment of the reliability impacts of the potential retirement of medium and high risk plants.
    e. The Committee requests that the CAISO also address the implications of the medium and high risk projected levels of retirements on the competitiveness of the California power markets, potential market power concerns, and identify any potential mitigation measures that might be necessary.
    f. Is staff's assessment of the lack of useful data for accurate estimates of forced outage rates correct? What available data sources exist that could assist staff in accurately estimating forced outage rates?
    g. Is there value in further analysis of forced outage rates using CEMS data or other sources?

4. With respect to Chapter 4 (The Future of Aging Plant Operations), the IEPR Committee seeks input on the following specific questions:
    a. Has the staff accurately characterized the future need for energy and capacity by the state's three large IOU's, including baseload, load-following and peaking service?
    b. Is the discussion of the CPUC's resource adequacy process accurate?
    c. Besides the proposals discussed in the "Changing Needs and Contract-Based Instruments for Local and Zonal Reliability" section, what other options are available to ensure local and zonal reliability?
    d. Has staff accurately characterized the natural gas use of the aging plant sector, and the effects of that use on the natural gas market?

5. With respect to Chapter 5 (Alternatives to Aging Boiler Units), the IEPR Committee seeks input on the following specific questions:

a. Does this chapter's assessment of the likely alternatives to aging plant generation adequately identify the factors that would affect the ability of any given alternative to replace the generation of an aging unit? Are there other factors to consider in assessing the ability and likelihood of a given alternative to replace aging plant generation?
b. Does this chapter adequately address demand management as a potential alternative and accurately assess its potential?
c. Are there opportunities to address reliability impacts of aging plant retirements through increased coordination between IOU and municipal power systems?
d. Are there other alternatives to consider?

6. With respect to Chapter 6 (Environmental Issues Associated with Aging Plants), the IEPR Committee seeks input on the following specific questions :
    a. Does the Air Quality section of this chapter accurately describe the emissions from the aging plant study group? Are there other factors or sources of information to consider when assessing the current impact of these plants to air quality?
    b. Does the air quality section accurately describe the regulation of emissions from aging power plants? Are future changes to air quality regulation likely to affect aging power plants in the study period (2004-2008)?
    c. **For all aging plant operators:** For those plants without SCR, the Committee requests comments concerning the schedule and likely costs for any planned installation of emissions control technologies at these plants. For those plants with SCR already installed, the Committee would appreciate comments from their operators concerning the schedule and likely costs for any additional emissions control technologies at these plants.
    d. **For Mirant:** The CEC staff report indicates on page 59 that the Potrero 3 plant is scheduled to have SCR installed in the Fall of 2004 and that in 2005 the Pittsburg Unit 7 and Contra Costa Unit 6 will either curtail their operations or retrofit with SCR to operate under the system cap. The Committee would appreciate a presentation from Mirant that discusses Mirant's plans for such upgrades, whether Mirant needs approval from the bankruptcy court for these expenditures, and if so, confirmation that it has applied for such approval and an indication of whether there is any opposition to these requests.
    e. Is the description in this Chapter and in Appendix F of once-through cooling systems used at the aging units under study accurate?
    f. Does the Biology section's analysis of Clean Water Act Section 316 regulations correctly describe the likely effect of these regulations on aging power plant operations and retirements in the study period? Are there other likely effects of these new rules on aging plants, either during or beyond the study period?
    g. The staff identified an information gap concerning the impacts of once-through cooling systems, but stated that such impacts may be much greater than once thought, especially concerning cumulative impacts. Are these conclusions valid? Are there other sources of information that should be considered in assessing the potential impact of these systems, both

individually and cumulatively? What new studies could be done to provide accurate information about the impact of these systems?

h. Are there additional issues to consider related to water discharges from non-coastal plants?

i. Is the discussion of land use, socioeconomics and environmental justice issues in this chapter accurate?

j. **For all aging plant operators:** The Committee is interested in assessing the socioeconomic impacts of the identified plants. The CEC staff draft in Table 6-6 lists the property tax contributions and the jobs associated with some of the power plants. The Committee requests the following information from each of the plant operators, to be provided either in pre-workshop comments on August 23rd, at the Workshop on the 26th, or in reply comments by September 7th:

   (a) total property tax payments by these facilities for the past 3 years,
   (b) total franchise fee payments for the past 3 years,
   (c) any other any community contributions/ benefits for the past 3 years, and
   (d) the number of jobs provided by these facilities for the past 3 years.

k. **For all plant operators:** In addition the Committee requests that each operator provide an assessment of the economic impact on the local economy of closing these facilities. To the extent that any of the above categories do not apply to a particular plant (e.g., plants owned by utilities may not pay franchise fees on natural gas consumption), the operator should note that fact and provide information on the other categories.

l. Are there any additional environmental or economic impacts of aging plants that should be considered? What additional information would be needed to assess the potential impacts of plant retirements?